

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

43

November 30, 2004

FROM: JUNE GRIFFITH-COLLISON, Acting Director
Arrowhead Regional Medical Center

SUBJECT: AGREEMENT WITH FOUNDATION FOR MEDICAL CARE OF SAN BERNARDINO
COUNTY

RECOMMENDATION: Terminate Agreement No. 87-22 with Foundation for Medical Care of San Bernardino County, effective February 28, 2005; authorize the Arrowhead Regional Medical Center's (Medical Center) Acting Director to provide notice of termination.

BACKGROUND INFORMATION: Approval of this item will allow the Medical Center's Acting Director to terminate the managed care agreement (contract #87-22) with the Foundation for Medical Care of San Bernardino County effective February 28, 2005.

In the past, the Medical Center had a number of Fee-for-Service Managed Care agreements with organizations. After the move to the current location in Colton, the Medical Center began an analysis of the financial impact to the Medical Center as a result of Managed Care agreements. Based on this analysis, it was determined that the anticipated volume of business generated from this type of agreement had not been realized. Since the terms of these agreements provided for a discount to services rendered, these agreements were actually resulting in a financial loss to the Medical Center.

In an effort to curtail this financial loss, between April 24, 2001 and April 13, 2004, the Board of Supervisors approved the termination of the following Managed Care agreements:

Beech Street, Corp.
Blue Cross of California
Community Care Network.
MultiPlan, Inc.
PacifiCare of California
PrimeCare Medical Group Network, Inc.

Agreement No. 87-22, a Managed Care agreement with Foundation for Medical Care of San Bernardino County, was approved by the Board of Supervisors on January 12, 1987. On January 25, 1994, the Board of Supervisors approved Amendment 1 to this agreement, which implemented new reimbursement rates. During the time that the Medical Center was reviewing and canceling its managed care agreements, it was believed that the Foundation for Medical Care of San Bernardino County no longer existed. However, it was recently discovered that although this organization is no longer operating at the location the Medical Center has on file, they are still in existence and operate under the names Riverside County Foundation for Medical Care, California Foundation for Medical Care and Pacific Foundation for Medical Care.

Page 1 of 2

Record of Action of the Board of Supervisors

43

In a continuing effort to curtail losses to the Medical Center as a result of Managed Care agreements, the Medical Center is requesting that the Board of Supervisors approve termination of Agreement No. 87-22, and grant authority to the Hospital's Acting Director to provide notice of termination. As outlined in Section XVI.D, Term of Agreement, the Agreement can be terminated upon 90 days written notice.

REVIEW AND APPROVAL BY OTHERS: This item has been reviewed by County Counsel (Charles J. Larkin, Deputy County Counsel, 387-5433) on November 2, 2004, and County Administrative Office (Bea Valdez, Administrative Analyst, 388-0211) on November 17, 2004.

FINANCIAL IMPACT: With the termination of this agreement, the Medical Center can maximize net revenues associated with the insurance carrier. Managed Care entities can negotiate new agreements with the Medical Center that will cover the current costs of providing services. If they do not negotiate new agreements, reimbursement to the Medical Center will be at 100% of billed charges for trauma cases when treating members of these entities at the Medical Center.

COST REDUCTION REVIEW: The County Administrative Office has reviewed this agenda item and recommends approval since termination of this agreement imposes no local cost to the County.

SUPERVISORIAL DISTRICT(S): All

PRESENTER: June Griffith-Collison, Acting Director, Arrowhead Regional Medical Center, 580-6160